

152 FERC ¶ 61,133
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;
Philip D. Moeller, Cheryl A. LaFleur,
and Tony Clark.

Entergy Services, Inc.

Docket No. ER14-73-000

ORDER CONDITIONALLY ACCEPTING AMENDMENTS TO THE ENTERGY
SYSTEM AGREEMENT

(Issued August 18, 2015)

1. In this order, we conditionally accept Entergy Services, Inc.'s (Entergy) proposed amendments (Amendments) to the Entergy System Agreement (System Agreement), to become effective December 19, 2013, as requested, subject to a compliance filing.

I. Background

2. The System Agreement is an agreement among Entergy and certain operating company subsidiaries of Entergy Corporation (Entergy Operating Companies)¹ that has provided the contractual basis for planning and operating the Entergy Operating Companies' generation and bulk transmission facilities on a coordinated, single-system basis since 1951.

3. On November 20, 2012, the Entergy Operating Companies submitted in Docket No. ER13-432-000 proposed amendments to the System Agreement (November 20, 2012 Filing) related to integration of the Entergy Operating Companies into the Midcontinent Independent System Operator, Inc. (MISO).² Entergy stated that these amendments

¹ The Entergy Operating Companies are: Entergy Arkansas, Inc. (Entergy Arkansas), Entergy Gulf States Louisiana, L.L.C., Entergy Texas, Inc., Entergy Louisiana, LLC, Entergy Mississippi, Inc., and Entergy New Orleans, Inc. Entergy Arkansas withdrew from the System Agreement on December 18, 2013.

² Effective April 26, 2013, MISO changed its name from "Midwest Independent Transmission System Operator, Inc." to "Midcontinent Independent System Operator, Inc."

consist primarily of the technical revisions needed to the System Agreement to: (1) allocate certain charges and credits from MISO settlement statements to the participating Entergy Operating Companies; and (2) address Entergy Arkansas' withdrawal from the System Agreement.

4. The Commission largely accepted the November 20, 2012 Filing, as modified, subject to a compliance filing.³ Because Entergy had proposed in the instant docket further revisions to certain of the definitions that it had proposed in the November 20, 2012 Filing, the Commission accepted those revisions subject to the outcome of the instant proceeding, as the Amendments proposed in this proceeding would further revise the same definitions.⁴

II. Entergy's Proposed Amendments

5. Entergy filed the proposed Amendments on October 11, 2013. It states that the Amendments consist primarily of: (1) administrative revisions to the System Agreement to improve clarity related to certain definitions and proper names related to the Entergy Operating Companies' plan to join MISO on December 19, 2013; and (2) modifications to certain provisions of the System Agreement to provide for the calculation of the Entergy Operating Companies' load.

6. Entergy first requests that the Commission accept for filing, without hearing or suspension, certain changes that it describes as ministerial. These changes include: (1) a correction to reflect MISO's change in name; (2) changes removing the duplicate definition of certain terms; (3) a clarification to section 30.21 of Service Schedule MSS-3 to ensure that the definition of the term Implicit Congestion Charge more closely tracks how this charge is calculated; and (4) the correction of a typographical error in section 30.21(d) of Service Schedule MSS-3.

7. With regard to the substantive Amendments, Entergy states that the November 20, 2012 Filing proposed to fix each Entergy Operating Company's Company Load Responsibility⁵ (which, together with the System Agreement's Responsibility Ratios, are

³ *Entergy Services, Inc.*, 145 FERC ¶ 61,247 (2013) (December 18 Order).

⁴ *Id.* PP 1, 125.

⁵ Each Operating Company's Company Load Responsibility, which is determined pursuant to section 2.16, is used as an input for determination of its Responsibility Ratio. The Responsibility Ratio of an Operating Company allocates costs or benefits among the participating Entergy Operating Companies based on peak-load demand. *See* System Agreement, § 2.18.

used to allocate costs and benefits among the Entergy Operating Companies pursuant to the System Agreement) at the level it was in the month immediately preceding integration into MISO. Entergy states that it proposed to allow this fixed level to remain in place for a period of 17 months following the integration of the Entergy Operating Companies into MISO in order to accumulate a full year of MISO settlement data before updating the Responsibility Ratios. Entergy states that it originally proposed to fix the Responsibility Ratios to eliminate the co-mingling of pre- and post-MISO load values, but as a result of the knowledge gleaned through the MISO asset registration process, it now intends to calculate the Responsibility Ratios to be consistent pre- and post-MISO integration.⁶ Entergy states that doing so will eliminate the need to fix load values for 17 months, as proposed in the November 20, 2012 Filing.

8. Entergy states that it now proposes to delete language that was proposed in the November 20, 2012 Filing for Article II (Definitions), section 2.16 (Company Load Responsibility) and section 2.18 (Responsibility Ratio), which sought to fix the Company Load Responsibility for the 17-month period. It states that as a consequence of not fixing the Responsibility Ratios, pre- and post-MISO integration load data will be incorporated in that calculation on an ongoing basis, and the Responsibility Ratios will be re-calculated monthly.

9. Entergy also states that in conjunction with the calculation of Company Load Responsibility, the November 20, 2012 Filing proposed to use monthly hourly loads coincident with the Entergy System's monthly peak for which MISO data had completely settled through MISO's 105-day settlement process. Entergy states that it originally proposed to use final, 105-day settlement data to allow a full year of MISO settlement statements and data to accumulate before updating the Responsibility Ratio, which is based on a rolling 12-month period. However, Entergy explains that as a result of the work undertaken in order to facilitate the December 19, 2013 integration into MISO, it no longer proposes to wait until fully settled data is available for use in the calculation.⁷

10. Specifically, Entergy proposes to delete the language that was proposed in the November 20, 2012 Filing for Article II (Definitions), section 2.16 (Company Load Responsibility), which sought to use monthly MISO load data that had completed the 105-day settlement process. Entergy states that as a consequence of removing this proposal from the November 20, 2012 Filing, the Responsibility Ratios may change up to five months from initial measurement.

⁶ Entergy Filing at 4.

⁷ *Id.*

11. Finally, Entergy proposes to amend the calculation of Company Load Responsibility in section 2.16 by including two additional terms. Specifically, Entergy proposes to incorporate into the calculation of hourly load the terms (1) “Behind the Meter Generation injections,” and (2) “necessary adjustments due to Financial Schedules.”⁸ Entergy also proposes to incorporate by reference, into section 2.41 of the System Agreement, the MISO Tariff definition of Behind the Meter Generation.⁹

12. Entergy states that Behind the Meter Generation is a generation resource that is reflected on the load side of the MISO settlement process and is not registered as a generation asset within MISO. According to Entergy, this arrangement effectively decreases the MISO settlement data for an Entergy Operating Company load zone; in other words, Behind the Meter Generation will reduce MISO load values for an Entergy Operating Company. Entergy maintains that while the amount of generation from generators operating as Behind the Meter Generation reduces MISO settlement statement load values for an Entergy Operating Company, the load served by this generation is still physical load that the Entergy Operating Companies have an obligation to serve.¹⁰ Entergy argues that as a result, such generation must be added to the MISO reported load values to reflect more accurately the Entergy Operating Companies’ physical load calculation for System Agreement purposes.

13. Entergy states that the proposed addition of the term “necessary adjustments due to Financial Schedules” reflects the presence in MISO settlement statements of Financially Scheduled MWs, which Entergy states are megawatts that are attributable to a financial arrangement between two market participants but that do not affect the physical

⁸ Entergy Filing at 5.

⁹ The MISO Tariff defines “Behind the Meter Generation (BTMG)” as:

Generation resources used to serve wholesale or retail load located behind a CPNode that are not included in the Transmission Provider’s Setpoint Instructions and in some cases can also be deliverable to Load located within the Transmission Provider Region using either Network Integration, Point-to-Point Transmission Service or transmission service pursuant to a Grandfathered Agreement. These resources have an obligation to be made available during Emergencies.

MISO, FERC Electric Tariff, Module A, Definitions – B, (32.0.0.).

¹⁰ See Entergy Filing at 5.

flow of energy.¹¹ According to Entergy, when an Entergy Operating Company enters into these financial arrangements to buy or sell energy, the volume of the transactions may either increase or decrease the MISO settlement statement volumes at the Entergy Operating Company's load zones. Entergy maintains that these transactions do not change the Entergy Operating Company's responsibility to serve load, and therefore adjustments must be made to the MISO settlement statement volumes to adjust the physical load calculation for System Agreement purposes.

14. Entergy maintains that its proposed changes will improve clarity, more promptly reflecting load changes, and facilitate a more precise measure of Company Load Responsibility consistent with the historical calculation of the Responsibility Ratios.

15. Entergy requests limited waiver of the Commission's eTariff filing requirements under Order No. 714 and sections 35.7 and 35.9 of the Commission's regulations. Entergy commits that it will file the proposed revisions in the docket and in Docket No. ER13-432, as they may be revised by the Commission, in accordance with eTariff requirements.

16. Entergy requests an effective date of December 19, 2013 for its proposed Amendments.

III. Notice of Filing and Responsive Pleadings

17. Notice of Entergy's filing was published in the *Federal Register*, 78 Fed. Reg. 62,613 (2013), with interventions and protests due on or before November 1, 2013. MISO and the Texas Industrial Energy Consumers filed timely motions to

¹¹ In the December 18 Order, the Commission accepted a proposed Entergy Amendment that defined "Financial Schedule" as having "the meaning ascribed to the term in the MISO tariff." *See* System Agreement, § 2.37. The MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff (MISO Tariff) defines "Financial Schedule" as:

A financial arrangement between two Market Participants designating a Source Point, Sink Point and Delivery Point establishing the obligations of the buyer and seller for the payment of Cost of Congestion and Cost of Losses. The Transmission Provider is not the Energy Market Counterparty to the sale of Energy under a Financial Schedule transaction and collects and disburses the Transmission Usage Charge as agent for the parties to the Financial Schedule.

intervene, and the Public Utility Commission of Texas filed a notice of intervention. The Louisiana Energy Users Group and Occidental Chemical Corporation (Occidental) filed motions to intervene and protests; the Louisiana Public Service Commission (Louisiana Commission) and the Council of the City of New Orleans (New Orleans Council) filed notices of intervention and protests. The Arkansas Public Service Commission (Arkansas Commission) filed a motion to intervene out of time. Entergy filed an answer to the protests, Occidental filed an answer to Entergy's answer, and the Arkansas Commission filed an answer to the protests filed by the Louisiana Commission and the New Orleans Council.

18. The New Orleans Council argues that the Commission should consolidate this proceeding with the ongoing proceeding in Docket No. ER13-432-000 and set the issues in both dockets for hearing and/or settlement judge proceedings. It maintains that consolidation is appropriate, given that Entergy is proposing revisions to previously-submitted amendments to the System Agreement that are still pending before the Commission.¹²

19. The New Orleans Council maintains that it is unreasonable for Entergy to use unapproved System Agreement language as a basis for the revisions proposed here. It argues that the revisions Entergy proposed in the November 20, 2012 Filing and in the instant filing relate to contested material issues of fact and should be set for hearing and/or settlement procedures before an administrative law judge. The New Orleans Council argues that approving the changes proposed here before approval of the System Agreement revisions proposed in the November 12, 2012 Filing could lead to confusion, and that consolidation would promote administrative efficiency. The Louisiana Commission agrees that consolidation will serve administrative efficiency, and it requests that these matters be consolidated and set for hearing.

20. The Louisiana Commission states that it does not protest Entergy's administrative revisions nor its proposal to eliminate provisions fixing Responsibility Ratios for a 17-month period, adding that it is preferable to use "actual, current data" to update the 12-month rolling average of monthly peaks.¹³ However, it maintains that Entergy has not shown that its proposal to incorporate load data provided prior to the close of the settlement period is just and reasonable or why it is desirable. It states that the Responsibility Ratios are based on a 12-month rolling average of monthly peak data and do not change substantially from month to month. The Louisiana Commission maintains that using data that has settled through the 105-day settlement process will not distort the

¹² The New Orleans Council filed its protest prior to the Commission issuing the December 18 Order.

¹³ Louisiana Commission Protest at 2-3.

Responsibility Ratios significantly and, except for an initial delay, will produce correct results that will not have to be revised. The Louisiana Commission states that Entergy does not explain why it is preferable to incorporate data that may be erroneous and then revise it through the settlement process.¹⁴

21. The Louisiana Commission states that Entergy's proposal to add Behind the Meter Generation to the load data reported by MISO appears reasonable superficially, but it requires further explanation and should be set for hearing. It argues that Entergy has not adequately explained its proposal to add language permitting it to make necessary adjustments due to financial transactions, and the proposal appears to vest discretion in the utility that would not be constrained by the tariff language. The Louisiana Commission argues that the Commission should reject this proposal and set the matter for hearing.

22. The Louisiana Commission also states that Entergy's filing in this proceeding fails to cure deficiencies in Entergy's System Agreement amendments in the November 20, 2012 Filing, including a failure to address the cost distributive effects of the withdrawal of Entergy Arkansas from the System Agreement and how Entergy will conduct itself in the new MISO environment.¹⁵ The Louisiana Commission contends that the Commission should examine its concerns regarding the November 20, 2012 Filing, including whether the entry of the Entergy Operating Companies separately into MISO eliminates the need for the System Agreement and/or allocations proposed in the November 20, 2012 Filing. It also urges that there is a need for a more modern, comprehensive tariff to address Entergy's conduct in MISO.¹⁶ It further contends that the Commission should order a hearing to address whether Entergy's jurisdictional cost allocations remain just and reasonable, including alleged costs stranded by the departure of an Entergy Operating Company from the System Agreement, allocation of Auction Revenue Rights in MISO, rules for how Entergy will participate in MISO, and whether individual Service Schedules remain just and reasonable in the MISO context. It states that the Commission

¹⁴ *Id.* at 3.

¹⁵ *Id.* at 1.

¹⁶ *Id.* at 3-6.

should reject Entergy's proposed System Agreement revisions related to allocating long-term congestion charges and should address the proper allocation of proceeds from a settlement between the Union Pacific Corporation and Entergy Arkansas.¹⁷

23. The Louisiana Energy Users Group states that Entergy did not file any support for its Behind the Meter Generation amendment. The Louisiana Energy Users Group maintains that the extent and intent of this proposal is unclear, and that the proposal should be rejected to the extent that it includes generation resources located behind the meter of retail customers of the Entergy Operating Companies.¹⁸

24. Occidental states that the Commission should reject Entergy's filing because Entergy has not demonstrated that it is just and reasonable to add "Behind the Meter Generation injections" and "necessary adjustments due to Financial Schedules" to the calculation of Company Load Responsibility. Occidental maintains that Behind the Meter Generation, as defined by MISO, is a form of demand response that when called on by MISO reduces the amount of load that others, including Entergy, must serve. Occidental states that under the currently effective method for calculating hourly load, load served by Behind the Meter Generation injections during a measurement period would not be included in hourly load. It argues that Entergy has not provided any justification for changing the underlying method of determining hourly load by including load that Entergy does not actually serve during the measurement period. Occidental argues that including Behind the Meter Generation injections would inflate load for Entergy Operating Companies that have Behind the Meter Generation operating in their service territories, thereby over-allocating System Agreement costs to those Entergy Operating Companies and their ratepayers.¹⁹

25. Occidental argues that the term "Behind the Meter Generation injections" is vague and ambiguous because it would incorporate all "Behind the Meter Generation injections" without any clarification or limitation. Occidental states that there presumably is behind the meter generation throughout the MISO balancing authority area, but Entergy has not identified which subset of Behind the Meter Generation, if any, may impact its load. Occidental also maintains that Entergy has failed to explain how the amount of behind the meter generation injections is to be ascertained.

¹⁷ *Id.* at 6.

¹⁸ Louisiana Energy Users Group Protest at 1-2.

¹⁹ Occidental Protest at 6-7.

26. Occidental also argues that Entergy's proposal creates confusion because of MISO's proposed integration plan for Qualifying Facilities (QFs). It states that MISO's proposed plan to integrate QFs within Entergy relies heavily upon the creation of a "Behind the Meter Option" to classify a subset of QFs that elect not to become market participants. It also states that Entergy has submitted testimony regarding the QFs integration plan that asserts that the Behind the Meter Option for QFs has no relation to the behind the meter generation demand response program in MISO. According to Occidental, while it appears that Entergy does not propose to include injections by QFs operating under the Behind the Meter Option in hourly load, the manner in which Entergy and MISO have chosen to structure the QFs implementation plan makes the amendments proposed in the instant filing confusing.²⁰

27. Occidental argues that Entergy has not shown that its proposed inclusion of "necessary adjustments due to Financial Schedules" in the calculation of hourly load in section 2.16 is just and reasonable. It asserts that Entergy makes no effort to explain which financial schedules its proposed language is intended to reference, nor how such financial schedules give rise to "necessary adjustments" to hourly load that is actually, physically served by an Entergy Operating Company during the relevant measurement period. Occidental maintains that Entergy does not support its claim that when an Entergy Operating Company enters into these financial arrangements, the volume of the transactions may either increase or decrease the MISO settlement statement volumes at the Entergy Operating Company's load zones. It also states that the current System Agreement calculation of hourly load in the Company Load Responsibility definition includes only load that the Entergy Operating Company actually, physically served, and that Entergy admits that Financially Scheduled MWs do not affect the physical flow of energy. Occidental maintains that this raises a number of unanswered questions, and the filing should be rejected as a result.²¹

28. In its answer, Entergy states that none of the protests take issue with the proposed administrative amendments or the request to eliminate the fixed load values for the first 17 months of MISO membership. With respect to the Louisiana Commission's contention that Entergy has not justified incorporating load data prior to close of the 105-day MISO settlement period, Entergy states that the Louisiana Commission's statement in support of elimination of the 17-month fix of Responsibility Ratios – "it is preferable

²⁰ *Id.* at 7-9.

²¹ *Id.* at 9-11.

to establish Responsibility Ratios using actual, current data to update the 12-month rolling average of monthly peaks”²² – also supports not waiting until the end of the MISO settlement process, as it facilitates use of “actual, current data.”²³

29. Entergy notes that the protests are ultimately a desire for more detailed explanation of the proposals on Behind the Meter Generation and Financially Scheduled MWs.²⁴

30. With respect to Behind the Meter Generation, Entergy notes that load is currently calculated for an Entergy Operating Company as the sum of all the generation in that company’s physical area minus any power that flowed out of that physical area. According to Entergy, in its November 20, 2012 Filing it sought to revise the Load Responsibility definition to align with the MISO settlement process by using load zone data.²⁵ Entergy states that Behind the Meter QFs greater than 20 MW will have separate load zones. Entergy states that when a Behind the Meter QF in a separate load zone has net load, it must be carved off of the primary load zone and moved to the separate load zone. Entergy states that if the QF produced a net injection, the primary load zone would be unaffected, but a negative load value would be placed in the separate QF load zone. Entergy proposes to add back the net injection from Behind the Meter Generation, so that the resulting Load Responsibility reflects the actual physical load that the Operating Company served. Entergy provides an example for how the calculations would work for multiple QFs in different load zones.²⁶ Entergy argues that its proposal to reflect Behind the Meter Generation would return the Entergy Operating Company’s load to where it would have been under the prior system.

31. Concerning its proposed treatment of Financially Scheduled MWs, Entergy states that its proposed adjustment is intended to undo the effect created by MISO’s settlement process. Entergy notes that when an Entergy Operating Company is the buyer of Financially Scheduled MWs with one of its load zones as the “sink,” MISO will reduce the billed MW value for that load zone by the amount of the purchase. Conversely, if the Entergy Operating Company is the “source,” MISO will increase the billed MW value for that load zone. Entergy proposed to account for these changes through its proposed

²² Louisiana Commission Protest at 3.

²³ Entergy Answer at 3-4.

²⁴ Entergy Answer at 4.

²⁵ *Id.* at 4.

²⁶ *Id.* at 6-7.

revision. Entergy provides an example for the calculation for 100 MWs of Financial Schedules.²⁷

32. In its answer, the Arkansas Commission argues that several of the claims raised by the Louisiana Commission and the New Orleans Council are outside the scope of this proceeding, and should be addressed elsewhere. These include: (1) the need for an exit fee for stranded costs caused by the exit of Entergy Arkansas from the System Agreement; (2) the disproportionate treatment of auction revenue rights upon entry into MISO; and (3) the mistreatment of proceeds from a Union Pacific settlement of Entergy Arkansas.

33. In its response to Entergy's answer, Occidental argues that Entergy's answer does not cure the deficiencies in its filing. With respect to the Behind the Meter Generation proposals, Occidental argues that all of Entergy's examples relate to Behind the Meter QFs. However, Occidental argues, MISO defines Behind the Meter Generation as a form of demand response resource that is registered as a market participant in MISO, and Behind the Meter QFs are those QFs that choose not to register as market participants in MISO under MISO's definition. These are mutually exclusive categories, Occidental argues.²⁸

34. Occidental also argues that the load amendments proposed by Entergy substantially deviate from the current methodology used to calculate load under the System Agreement, and that Entergy has failed to justify the shift from a supply side to demand side load calculation. Occidental also claims that Entergy has failed to dispel the confusion over its proposal. For instance, Occidental asks whether MISO provides Entergy statements regarding Behind the Meter Generation injections by third parties, or whether Entergy intends to calculate these in some unexplained way. Occidental also notes that Entergy fails to explain how it can use a load zone as a "source" in a Financial Schedule sale, while only providing calculations for using a load zone as a "sink."²⁹

²⁷ *Id.* at 8.

²⁸ Occidental Answer at 8-9.

²⁹ *Id.* at 9-10.

IV. Discussion

A. Procedural Matters

35. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2015), the notices of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

36. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d) (2015), the Commission will grant the Arkansas Commission's late-filed motion to intervene given its interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

37. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2015), prohibits an answer to a protest or to an answer unless otherwise ordered by the decisional authority. We will accept the answers filed because they have provided information that assisted us in our decision-making process.

38. In general, the Commission consolidates matters only if a trial-type evidentiary hearing is required to resolve common issues of law and fact, and thus consolidation will ultimately result in greater efficiency.³⁰ As we are accepting the proposed revisions without a hearing, we decline the request to consolidate this proceeding with Docket No. ER13-432-000.

B. Determination

39. We conditionally accept Entergy's proposed Amendments to the System Agreement as just and reasonable, subject to a compliance filing to be made within 30 days of the date of this order. We find that Entergy's proposed Amendments, subject to the compliance requirements discussed below, are appropriate updates to the System Agreement to reflect changes due to Entergy's integration into MISO.³¹ We note that Entergy's proposed administrative revisions are unopposed. We address the other revisions below.

³⁰ See, e.g., *Duke Energy Corp.*, 136 FERC ¶ 61,245, at P 33 (2011); *Startrans IO, L.L.C.*, 122 FERC ¶ 61,253, at P 25 (2008).

³¹ We agree with the Arkansas Commission that the broader claims raised by the Louisiana Commission and the New Orleans Council regarding Entergy's integration into MISO and the future of the System Agreement are beyond the scope of this proceeding.

1. Determination of the Responsibility Ratios

40. In its filing, Entergy states that due to knowledge gained through the MISO asset registration process, it concludes that it no longer needs to fix the Responsibility Ratios for the 17 months following integration into MISO and seeks to delete this provision. It also states that such knowledge leads it to conclude that it no longer needs to wait until the 105-day MISO settlement process has finished to use MISO monthly peak data and likewise seeks to delete this provision. Entergy contends that these changes will allow the Responsibility Ratios to more promptly reflect load changes. The Louisiana Commission argues that Entergy has not fully explained the justification for incorporating load data prior to the close of the 105-day settlement period and asserts that awaiting the end of settlement would promote finality by reflecting correct results that would not need to be revised.

41. We find Entergy's proposed Amendments to be just and reasonable, subject to the compliance requirements below. We disagree with the Louisiana Commission's contention that Entergy has failed to explain the justification for its proposal on incorporating load data. As Entergy notes in its answer, Entergy is now capable of incorporating load data prior to the close of the 105-day settlement period, and doing so will produce a more responsive result. As the Louisiana Commission concedes when discussing whether to fix Responsibility Ratios for 17 months, the use of actual, current data is generally preferable,³² and Entergy has determined based upon its experience that it is able to use actual, current load data here. While it is possible that waiting until the end of the settlement period would also produce a just and reasonable result, we note that the Commission has stated that it will accept a utility's filing of a rate, term or condition if it is just and reasonable, even if other just and reasonable proposals exist.³³

42. However, we are concerned that the proposed tariff revisions do not specify that Entergy will update the Responsibility Ratio based on refinements to the settlement data in settlements that are subsequent to the one used to calculate to load of the current month. MISO's settlement process includes settlements at the operating date, seven days after the operating date, 14 days after the operating date, 55 days after the operating date, and 105 days after the operating date to refine and correct settlement information. Any inaccuracies in the load information from the initial settlements should be corrected using subsequent settlement data in order for the resulting rates to be just and reasonable. Accordingly, in a compliance filing due within 30 days of the date of this order, we direct Entergy to revise section 2.16 of the System Agreement to specify that the Responsibility Ratio will be updated with information from subsequent MISO settlements. We also

³² Louisiana Commission Protest at 2-3.

³³ *PJM Interconnection, L.L.C.*, 117 FERC ¶ 61,331, at P 85 (2006).

direct Entergy to propose revisions to the System Agreement specifying that any imprecision in cost allocation revealed by updated settlement data will be remedied with a true-up based on the updated settlement data.

2. Behind the Meter Generation Injections

43. In its filing, Entergy explains that Behind the Meter Generation is a generation resource that is reflected on the load side of the MISO settlement process and is not registered as a generation asset within MISO. This arrangement effectively decreases the MISO settlement data for Entergy Operating Company load zones and will reduce MISO load values for an Entergy Operating Company. Entergy explains that although the amount of generation from Behind the Meter Generation reduces MISO settlement statement load values for an Entergy Operating Company, the load served by this generation is still physical load that the Entergy Operating Companies have an obligation to serve. Consequently, Entergy argues, the amount of generation injected by Behind the Meter Generators must be added to the MISO reported load values to more accurately reflect the Entergy Operating Companies' physical load calculation for System Agreement purposes.

44. Several protestors argue that Entergy fails to provide sufficient explanation in support of its proposed changes. We agree that Entergy's initial filing did not provide a detailed description of its changes regarding Behind the Meter Generation injections, or the need for those changes. However, Entergy provides additional explanation, including specific examples, in its answer. Entergy provides calculations in its answer that demonstrate that failure to add the Behind the Meter Generation injections will result in inaccurate measurement of load on the Entergy System. Entergy provides an example in which adding back net injections associated with Behind the Meter Generation will restore each Entergy Operating Company's Company Load to reflect the full amount of physical load.³⁴ Given that Company Load Responsibility and Responsibility Ratios are used to allocate costs and benefits on the Entergy System based upon the relative share of individual Entergy Operating Company load to total System load, we find that this will return the Entergy Operating Company's load to where it would have been under the System Agreement prior to MISO integration and result in a more accurate allocation of costs and benefits among the Entergy Operating Companies pursuant to the System Agreement.

³⁴ Entergy Answer at 6-7. Entergy provides an example where net injections from Behind the Meter QFs cause a MISO settlement statement of Operating Company Load to be 4,750 MW, rather than 5,000 MW. It states that the addition of the Behind the Meter Generation variable would result in the adding back of the 250 MW subtracted because of the net injections, restoring the Operating Company's load to 5,000 MW, which reflects the physical load of the Operating Company served. *Id.*

45. However, Entergy's proposed Tariff language in section 2.16 of the System Agreement adds Behind the Meter Generation injections and not *net* Behind the Meter Generation injections to the MW values for each of the Load Zones associated with an Operating Company. Behind the Meter Generation that serves only the load of the resource owner and not system load should not be incorporated in the calculation of Company Load Responsibility. Only net injections should be included in this calculation. Accordingly, we direct Entergy in a compliance filing due within 30 days of the date of this order to revise section 2.16 of the System Agreement to specify that *net* Behind the Meter Generation injections are included in the hourly load calculation.

46. In addition to arguing that Entergy failed to fully explain its proposal, Occidental contends that Entergy's revisions would cause Entergy to deviate from the current methodology used to calculate load by replacing a supply-side load calculation with a demand-side calculation "based on MISO load zone settlement data."³⁵ Occidental complains that use of MISO load zone data represents an improper change from the megawatt inputs and outputs measurement system traditionally used in the System Agreement. However, these complaints do not reflect the revisions at issue here, but rather concern the revisions proposed by Entergy in the November 12, 2012 Filing, upon which the Commission has already acted.³⁶

47. Occidental raises other concerns regarding the treatment of QFs in MISO. We note that Entergy's proposals here do not revise the definition of QFs or their treatment in MISO, and that many of Occidental's objections are outside the scope of this proceeding. Occidental argues that the term "Behind the Meter Option" describes a subset of QFs that elect not to become market participants under a MISO proposal to model QFs on its system. We disagree that the similarity of that term to the proposed Amendment at issue here is likely to cause confusion. MISO and Entergy, which are the entities responsible for calculating load statements and making the Behind the Meter Generation injection adjustments to them, respectively, are sophisticated parties that will understand their respective meanings. Occidental also references its own complaint against MISO related

³⁵ Occidental Answer at 5.

³⁶ In the December 18 Order, the Commission noted that Entergy was adopting new definitions to ensure consistency between the MISO Tariff and the System Agreement, including "changes to the definitions of Company Load Responsibility (section 2.16) and Responsibility Ratio (section 2.18) to track the MISO settlement process and MISO calculation of load" and noted that no protests were filed to the proposed definitions. December 18 Order, 145 FERC ¶ 61,247 at P 124. The Commission accepted the proposed changes to the definitions as just and reasonable "because they will help ensure consistency between the MISO Tariff and the System Agreement." *Id.* P 125.

to MISO's proposed QF integration plan.³⁷ We find that that issue has no bearing upon the rationale for Entergy's Amendments here, which is to align MISO load statement inputs with the physical generation measurement of the System Agreement's Company Load Responsibility definition.

48. In its answer, Occidental claims that Entergy's inclusion of injections of Behind the Meter Generation from QFs is improper because MISO defines Behind the Meter Generation as a form of demand response resource that is registered as a market participant in MISO.³⁸ We disagree with Occidental's assertion that Entergy's proposal would change the underlying method of determining hourly load by including load that Entergy does not actually serve during the measurement period. Entergy is proposing to add back in only the net injections of Behind the Meter generation. As Entergy explains in its answer, the revision is in keeping with its current methodology for calculating load based on generation net of exports. Such generation would logically include net injections by Behind the Meter generators, which excludes the load of the resource owner that is not system load served by an Entergy Operating Company. With respect to Occidental's concern regarding vagueness of the term "Behind the Meter generation," Entergy proposes to use the existing definition from the Tariff. Entergy's filing and answer suggest that it intends to apply the revisions only to Behind the Meter generation within each Operating Company's zone, but we agree that the proposed Tariff provision is somewhat unclear on this point. Accordingly, we direct Entergy to provide additional clarification in section 2.16 by specifying that the net injections of Behind the Meter generation *from within the zone for each Operating Company* will be added back. We direct Entergy to propose revisions in a compliance filing to be made within 30 days of the date of this order.

3. Financial Schedules

49. Entergy proposes to add "necessary adjustments due to Financial Schedules" to the System Agreement's definition of Company Load Responsibility. Entergy explains that Financially Scheduled megawatts are megawatts that are attributable to a financial arrangement between two market participants, but these megawatts do not affect the physical flow of energy. Entergy states that when an Entergy Operating Company enters into these financial arrangements to buy or sell energy, the volume of these transactions may either increase or decrease the MISO settlement statement volumes at the Entergy Operating Company's load zones. It states, however, that these transactions do not

³⁷ See January 17, 2013 Occidental Petition for a Declaratory Order and Complaint in Docket No. EL13-41-000. This matter remains pending before the Commission.

³⁸ Occidental Answer at 4 (citing MISO Business Practices Manual No. 026, Demand Response, section 2.2.1).

change the Entergy Operating Company's responsibility to serve load, and therefore, adjustments must be made to the MISO settlement statement volumes to adjust the physical load calculation for System Agreement purposes.

50. The Louisiana Commission contends that Entergy's Financial Schedules amendment is not adequately explained and would vest in Entergy excessive discretion in its application of the Financial Schedules amendment. Occidental raises similar concerns, stating the MISO Tariff definition of "Financial Schedule" is excessively broad and that Entergy has failed to support the need for this adjustment with facts. It raises a variety of questions about the nature and impact of such Financial Schedules.

51. As with the changes proposed on Behind the Meter Generation, we agree that Entergy's proposal with respect to Financial Schedules was not fully explained in its initial filing. However, Entergy provides a clearer description, supported by examples, in its answer. Entergy describes how Financial Schedule transactions would alter the physical load based measurement of load for each Entergy Operating Company and distort the Responsibility Ratios' allocations of costs and benefits between them. It explains that such alteration occurs because:

When an Operating Company is the buyer of Financially Scheduled MWs with one of its load zones as the "sink" of this Financial Schedule, MISO will reduce the billed MW value for that load zone by the amount of the Financial Schedule purchase. Conversely, if an Operating Company is the seller in a Financial Schedule with one of its load zones used as the "source," then MISO will increase the billed MW value for that load zone by the amount of the Financial Schedule sale.^[39]

52. Entergy provides examples demonstrating how Financially Scheduled transactions will result in divergence from physical load calculations and how the addition of Financially Scheduled amounts will restore the accuracy of the physical demand measurement.⁴⁰

³⁹ Entergy Answer at 8.

⁴⁰ *Id.* Entergy provides an example where an Operating Company's primary load zone value is reduced by 100 MW because it is the buyer of a Financial Schedule for 100 MW with its primary load zone used as the sink of the Financial Schedule. Entergy states that Entergy would, pursuant to its Financial Schedule amendment, add the Financially Scheduled 100 MW back to the Operating Company's load, restoring the Operating Company's load to its physically measured load.

53. Accordingly, we find that Entergy has provided a sufficient explanation of how the disparity in a MISO settlement statement is caused by Financial Schedules and how the addition of adjustments for Financial Schedules would rectify this disparity. Accordingly, we find Entergy's proposal to add "necessary adjustments due to Financial Schedules" to the System Agreement's definition of Company Load Responsibility to be just and reasonable.

54. As Entergy has committed, we direct Entergy, in its compliance filing due within 30 days of the date of this order, to file the proposed System Agreement revisions, including further revisions in compliance with the Commission's directives in this order, in E-Tariff.

The Commission orders:

(A) Entergy's proposed Amendments to the System Agreement are conditionally accepted, to become effective December 19, 2013, as requested, as discussed in the body of this order.

(B) Entergy is hereby directed to submit a compliance filing within 30 days of the date of this order, as discussed in the body of this order.

By the Commission. Commissioner Honorable is not participating.

(S E A L)

Kimberly D. Bose,
Secretary.